

RD AN No. 4135 (1901-A)
January 19, 2006

SUBJECT: Business and Industry Guaranteed and Direct Loan Programs
Loanmaking and Servicing Authorities

TO: State Directors, Rural Development

ATTN: Business and Cooperative Programs Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide information regarding the criteria to be met for obtaining Business and Industry (B&I) Guaranteed and Direct loanmaking and loan servicing authority.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 4028 (1901-A) dated December 15, 2004.

IMPLEMENTATION RESPONSIBILITIES:

Exhibit A of RD Instruction 1901-A outlines criteria to be considered for granting B&I Guaranteed and Direct approval authorities. This AN discusses the specific criteria to be considered when delegating all levels of authority.

The criteria being used to evaluate authority levels are staff experience and training, State guaranteed loan delinquency and loss rates, and the review of loan processing and servicing actions and other oversight provided by the National Office, including Business Programs Assessment Reviews (BPAR), Farm Credit Administration (FCA) reviews, and Office of Inspector General (OIG) reports. These criteria will be taken into consideration, along with other documented circumstances, when justifying the level of authority delegated. The Administrator may delegate authority when appropriate justification exists that mitigates concerns or criteria that have not been met. Performance must continue to meet the established criteria to retain the delegated level of authority and will be reviewed at least annually, based on fiscal yearend data.

EXPIRATION DATE:
January 31, 2007

FILING INSTRUCTIONS:
Preceding RD Instruction 1901-A

For \$7.5 million in approval authority, the following minimum criteria must be met:

1. The incumbent Program Director must have been in the position for at least 3 years, and the staff must be sufficiently trained. Training should include credit and financial analysis training provided by organizations such as the American Bankers Association (ABA), Dun and Bradstreet (D&B), Risk Management Association (RMA), or similar organizations.
2. Loan processing and servicing requests have been submitted to the National Office with no significant concerns for the last and current fiscal years. Postreviews for the last and current fiscal years were submitted in accordance with RD Instruction 4279-B, section 4279.173(e), with no significant concerns. No significant concerns means that materials submitted by the State Office were substantially consistent with regulations and administrative guidance issued, and actions were concurred in by the National Office, if applicable.
3. The most recent BPAR or FCA review and recent OIG reports, if any, found no significant concerns with administration of the B&I program within the State. If concerns were identified, subsequent postreviews or other submissions to the National Office document that corrective action has been taken to mitigate the concern.
4. For each of the last 3 fiscal years, the State borrower delinquency rate has been below the National average, and no loan closed within the last 3 fiscal years is currently delinquent. Any established Administrator delinquency goals are being met.
5. For each of the last 3 fiscal years, the State loss rate has not exceeded .25 percent.

For \$5 million in approval authority, the following minimum criteria must be met:

1. The incumbent Program Director must have been in the position for at least 2 years or have extensive B&I experience, and the staff must be sufficiently trained. Training should include credit and financial analysis training provided by organizations such as the ABA, D&B, RMA, or similar organizations.

2. Loan processing and servicing requests have been submitted to the National Office with no significant concerns for the last and current fiscal years. Postreviews for the last and current fiscal years were submitted in accordance with RD Instruction 4279-B, section 4279.173(e), with no significant concerns. No significant concerns means that materials submitted by the State Office were substantially consistent with regulations and administrative guidance issued, and actions were concurred in by the National Office, if applicable.
3. The most recent BPAR or FCA review and recent OIG reports, if any, found no significant concerns with administration of the B&I program within the State. If concerns were identified, subsequent postreviews or other submissions to the National Office document that corrective action has been taken to mitigate the concern.
4. For each of the last 2 fiscal years, the State borrower delinquency rate has been no more than 7 percent above the National average, and no loan closed within the last 2 fiscal years is currently delinquent. In cases where one or two borrowers significantly affects the State delinquency rate due to the size of the portfolio, special consideration will be given when sufficient justification is submitted with the request.
5. For each of the last 2 fiscal years, the State loss rate has not exceeded .5 percent.

For \$3 million in approval authority, the following minimum criteria must be met:

1. The incumbent Program Director must have been in the position for at least 1 year or have extensive B&I experience, and the staff must be sufficiently trained. Training should include credit and financial analysis training provided by organizations such as the ABA, D&B, RMA, or similar organizations.
2. Loan processing and servicing requests have been submitted to the National Office with no significant concerns for the last and current fiscal years. Postreviews for the last and current fiscal years were submitted in accordance with RD Instruction 4279-B, section 4279.173(e), with no significant concerns. No significant concerns means that materials submitted by the State Office were substantially consistent with regulations and administrative guidance issued, and actions were concurred in by the National Office, if applicable.

3. The most recent BPAR or FCA review and recent OIG reports, if any, found no significant concerns with administration of the B&I program within the State. If concerns were identified, subsequent postreviews or other submissions to the National Office document that corrective action has been taken to mitigate the concern.
4. In the last fiscal year, the State borrower delinquency rate has been no more than 10 percent above the National average, and no loan closed in the last fiscal year is currently delinquent. In cases where one or two borrowers significantly affects the State delinquency rate due to the size of the portfolio, special consideration will be given when sufficient justification is submitted with the request.
5. In the last fiscal year, the State loss rate did not exceed .75 percent.

If you have any questions, please contact Brenda Griffin, Loan Specialist, B&I Division, at (202) 720-6802.

(Signed by William F. Hagy III)

JACKIE J. GLEASON
Acting Administrator
Business and Cooperative Programs